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United Nations Relief and Works Agency for Palestine Refugees in the Near East

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East**

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Summary

The present report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) describes the activities of the Group during 2006 and provides a detailed outline of the current financial situation of UNRWA. The Working Group unanimously adopted the report at its meeting on 13 September 2006. As in previous reports of the Working Group, the present report closes with a number of concluding remarks addressed to all Member States.

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* A/61/150 and Corr.1.

** In accordance with paragraph 1, section C, of General Assembly resolution 54/248, the present report is being submitted on 13 September 2006, following its adoption by the members of the Working Group on the Financing of UNRWA.

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I. Introduction: origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group (most recently A/60/439)[1] and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year (most recently, resolution 60/102).

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Baki İlkin of Turkey.

II. Activities of the Working Group during 2006

4. During the year, the Working Group held three meetings, the first on 1 September 2006, at which the Director of the UNRWA Representative Office, Andrew Whitley, briefed the Working Group on the Agency's financial situation and developments facing the Agency. The second meeting was held on 12 September, during which the Working Group discussed the present report. At the third meeting, on 13 September, the report was agreed upon and adopted.

III. Financial situation of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

5. The Agency's cash and in-kind regular budget for the biennium 2006-2007 was $994.2 million, of which $488.5 million was for 2006 and $505.6 million for 2007. In 2005, the Agency received $341.5 million in income for its cash and in-kind planned expenditure, leaving a funding gap of $44.7 million. The anticipated funding gap for 2006 as at 1 September was $129.1 million. The Agency's regular budget income for 2006 was expected to be some $359.4 million ($322.5 million in contributions from donors, $16.3 million in in-kind contributions, $18.1 million in income from the United Nations and $2.5 million in interest income and exchange rate gains). The project budget deficit for 2005 was $13.9 million. In 2006, it was expected to rise to $132.1 million, following incorporation of key infrastructure provisions from the Agency's medium-term plan for 2005-2009, for which funding has fallen far short of requirements.

6. As noted in the last report of the Working Group (A/60/439), the Agency's budget for the biennium 2006-2007 — whose volume increased some 30 per cent

[1] For the consideration of the most recent report of the Working Group (A/60/439), see A/60/476.

over the preceding biennium — reflects a needs-based rather than a finance-constrained approach. However, the budget incorporates not only what is required to halt the decline in service quality over the past decade brought about by underfunding, but also programme activities to meet the objectives of the Agency's medium-term plan for 2005–2009. Like the medium-term plan, the budget for the biennium 2006–2007 was developed in consultation with key stakeholders to address the increasing needs of a growing refugee population, to upgrade Agency services and rehabilitate infrastructure, including camp and shelter conditions adversely affected by years of underfunding, and to bring Agency services up to the standards of the host Governments as well as global standards set by the United Nations. On 9 September 2005, the budget was considered by the Advisory Committee on Administrative and Budgetary Questions, which recommended its approval.

7. Contributions to UNRWA in 2006 fell far short of the Agency's budgeted expenditure for that year. The Working Group noted that, in consequence, in 2006 the Agency prepared its 2008–2009 strategic framework on the basis of more measured funding expectations. At the same time, the Agency upheld its commitment to maintain current service levels and hopes to introduce certain improvements without which the scope and quality of programming would be at risk of further deterioration. The Agency, however, continued to appeal to donors to fully fund its budget for the biennium 2006–2007, as UNRWA represented the principal source of general education, primary health, social, relief and microfinance services for the refugee population. The Agency's cost-effective services constituted a vital investment in the human development and well-being of the refugees by the international community. The continued commitment of the international community to the refugees remained essential in the absence of a just and durable solution to their problem and in light of the continuing conflicts in the region which had devastating economic and social consequences for them.

8. Owing to improvements in the reimbursement of value-added tax to UNRWA by the Palestinian Authority, as at 31 December 2005, the Agency was only due $8.2 million in value-added tax reimbursements (down from $13.2 million at 31 December 2004). UNRWA, however, was concerned about port and related charges due to the Agency, exacerbated by security procedures imposed on humanitarian goods imported through Israel by the Agency. UNRWA is required to route its shipments of humanitarian goods and supplies into the Gaza Strip through the Karni crossing, except for construction materials, which enter the Gaza Strip through the Sofa crossing. The Israeli authorities continued to impose transit charges on containers moving through Karni, obliging UNRWA to pay $98,396 in 2005. In the Agency's view, the charge is a direct tax from which it ought to be exempted under the 1946 Convention on the Privileges and Immunities of the United Nations. Owing, for the most part, to repeated and prolonged closures of the Karni crossing by the Israeli authorities, UNRWA incurred excess storage and demurrage charges of $1,355,149, including demurrage charges of $788,115 for empty containers stranded in the Gaza Strip during 2005. Although restrictions on the movement of goods through the Karni crossing were attributed by the Israeli authorities to security incidents and alerts, and the movement of goods through Karni was adequate in the months immediately prior to Israel's disengagement from the Gaza Strip, the Agency considers that for substantial periods the throughput was not consistent with Israel's obligations under the Comay-Michelmore Agreement of 1967 and as provided for under article 59 of the 1949 Geneva Convention relative to

the Protection of Civilian Persons in Time of War (the Fourth Geneva Convention). The Agency has also suffered financial loss in excess of $53,900, plus interest, as a result of delays or restrictions placed by the Israeli authorities on the import of certain shipments of chemicals, vehicles and medical supplies. In the Agency's view, such restrictions violated the exemption guaranteed by the Convention on the Privileges and Immunities of the United Nations. Cumulative port charges due to the Agency at 31 December 2005 were $25,764,820, for which UNRWA had filed a claim with the Israeli authorities. The claim was subsequently written off at the recommendation of the United Nations Board of Auditors on grounds that recovery of the steadily increasing sum was unlikely. The Agency will nevertheless continue to record the port and related charges in an effort to collect the amounts due, as a legitimate claimable debt.

9. Given the importance of ensuring that resources are used as effectively and efficiently as possible, the Working Group appreciated the leadership of UNRWA Commissioner-General Karen Koning AbuZayd, who oversaw the increasingly vigorous process of reform in UNRWA. This included the landmark inaugural session on 27 February 2006 of the Agency's expanded and revitalized Advisory Commission, whose membership was more than doubled by a General Assembly decision on 8 December 2005. The Advisory Commission met again on 19 and 20 June 2006, at which time it endorsed the Agency's organizational development strategy, a comprehensive reform programme prepared in close consultation with UNRWA stakeholders, which built on the outcomes of the June 2004 Geneva conference and subsequent reforms, and benefited from substantive input from UNRWA stakeholders. The organizational development programme seeks to strengthen UNRWA management and human resources capacity, enhance its effectiveness through improved needs-assessment and programme evaluation, and further develop a results-based management and programme culture in UNRWA. The Working Group noted with appreciation the creation by the Agency of an Advisory Commission secretariat to assist the Commission in reviewing and providing input to the UNRWA programme of work and its reform process. The Working Group also noted that in the course of 2006, the Agency had begun preparations for the development of a programme management cycle which would, in the next three years, replace the current budget preparation process and establish strategic goals, including standards-setting in UNRWA core programme areas, improvement of the Agency's social safety net for the poorest refugees and a review of UNRWA food aid programmes. Noting that those far-reaching reforms would have budgetary implications for the Agency, the Working Group expressed the hope that the Agency would accelerate its efforts in addressing the reforms.

10. The Working Group recognized the need for emergency operations to continue in the occupied Palestinian territory, where humanitarian conditions had significantly deteriorated in 2006, in particular in Gaza, as the result of a severe loss of income at all levels following the appointment of a Hamas-led Palestinian Authority Government after the January 2006 legislative elections. In that regard, the Working Group noted with appreciation the holding on 1 September 2006 of an international donor conference in Stockholm. The territory's economic collapse deepened significantly after 25 June when the abduction of an Israeli soldier by Palestinian militants was followed by Israeli military incursions in Gaza, as well as a severe tightening of movement and access. The Working Group was informed in its meeting with UNRWA on 1 September that the Agency had in response revised

its initial emergency appeal for 2006 of $95 million upwards to $170 million. As at 1 September 2006, UNRWA had received firm pledges against that appeal in the amount of $104 million. The Working Group hoped that the revised appeal, which provided, inter alia, for badly needed food aid, emergency job creation and cash assistance, would be fully funded by the international community. It noted with concern the fact that 80 per cent of registered refugees in Gaza were currently dependent on UNRWA food aid for their essential sustenance and that the degree of their vulnerability and dependence had increased compared with the early years of the current unrest in the occupied Palestinian territory. The Working Group also hoped that the Agency's flash appeal for Lebanon, at the level of $7.2 million, would be fully funded. Both appeals were incorporated into the revised United Nations Consolidated Appeals Process for each respective area.

11. The Working Group noted with approval that in 2006, the Agency had prepared a comprehensive development plan for the 12 refugee camps located in Lebanon, which called for an investment of $50 million in refugee housing, sanitation and social services. Prior to the outbreak of the war on 12 July 2006, Lebanese Prime Minister Fouad Siniora had officially endorsed the plan as part of a welcome government initiative to improve the living conditions and economic prospects in Lebanon of the refugees. Following the adoption of Security Council resolution 1701 (2006) and the cessation of hostilities, the Government of Lebanon was expected to remain focused on a post-war national early recovery programme budgeted at $530 million, within which $3 million was allocated to UNRWA to carry out initial, urgent infrastructure repair in war-affected refugee camps. The Agency anticipated, however, that the camp development plan would be taken up in a multilateral forum in the near future, with the support of the Government.

IV. Concluding remarks

12. The Working Group notes with concern the large funding gap for the UNRWA regular budget in 2006 and reiterates that it is the responsibility of the international community to ensure that UNRWA services are maintained at an acceptable level in quantitative and qualitative terms and that funding keeps pace with the natural growth of the refugee population and its changing needs.

13. The Working Group commends the Commissioner-General and all UNRWA staff for their tireless efforts over the past year to maintain the services of the Agency under very difficult operational circumstances. Among the diverse obstacles faced were the consequences of the continuing conflict in the West Bank and Gaza Strip and the hostilities in Lebanon, as well as ongoing access problems. It also commends the Commissioner-General for her fund-raising efforts and her commitment to keeping the major donors and host authorities informed and involved, opening new avenues of support and funding and seeking a broader base of donors. The Working Group encourages UNRWA to continue its efforts to widen the donor support base.

14. The Working Group calls for the early and complete fulfilment of pledges and other commitments to UNRWA, in particular the reimbursement of value-added tax by the Palestinian Authority and port and related charges by the Israeli Government.

15. The Working Group urges the international community to fully fund the budget for the biennium 2006-2007, as it will enable the Agency to reverse the effects of

successive years of underfunding, to bring services up to host Government standards and to build additional capacity within UNRWA. It notes with great concern that at 1 September 2006, only 64 per cent of the budget for 2006 has been funded, with likely adverse consequences for the level of services provided to over 4.3 million registered Palestine refugees. The Working Group continues to believe that UNRWA plays a vital role in preserving the stability and security of the region. Adequate funding of the Agency's programmes in accordance with the changing needs of the refugee community and in line with the comparable level of services provided by host authorities to their own citizens is essential to ensuring this. The Working Group welcomes the Agency's strengthened focus on strategic planning, monitoring and evaluation of programmes and commitment to results-based management, ensuring the most effective use of donor funds and a stronger emphasis on well-defined outcomes. It urges UNRWA to continue to cooperate closely with other United Nations agencies that have been through reform efforts in order to benefit from their experiences and obtain possible synergies with a cost-saving potential.

16. In view of the growing humanitarian crisis in the occupied Palestinian territory, the Working Group recognized the essential humanitarian role the Agency's emergency operations in the occupied Palestinian territory played in alleviating the hardship of the refugees and preventing an even greater decline in their living conditions, and urges the international community to fully fund the Agency's revised Emergency Appeal for 2006.

17. The Working Group called upon the Israeli Government to accord free and unfettered access to the Agency, in particular in the Gaza Strip, where regular closures of the limited number of commercial crossings had hampered UNRWA humanitarian operations.

18. The humanitarian problems faced by the Palestinian refugees currently must be addressed as a shared international responsibility pending a final and comprehensive settlement of the Israeli-Palestinian conflict in accordance with international legality, including relevant United Nations resolutions. The services provided by UNRWA must be viewed as the minimum required to enable the refugees to lead productive lives. Any further reduction in those services, in combination with the constantly increasing number of the refugees, would not only unfairly deprive them of the minimum level of support to which they are entitled as basic human rights, but could also have a destabilizing effect on the entire region. Above all, the Working Group expresses the hope that the international support for UNRWA embodied in the resolutions adopted each year by the General Assembly, in which the Assembly recognizes the importance of the work of the Agency, will be translated in practice into increased support to ensure the continuation of the Agency on a sound financial basis.

19. The Working Group strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 2006, and once again:

(a) Urges those Governments that have not yet contributed to UNRWA to do so on a regular basis;

(b) Urges Governments that have so far made only relatively small contributions or contributions that have not kept up with increased needs to raise the level of their contributions;

(c) Urges Governments that in the past have made generous contributions to UNRWA to continue to do so in a timely manner and to strive to increase them;

(d) Urges Governments that traditionally have shown special interest in the welfare of the Palestine refugees, both in the region and beyond, to begin contributing or to increase their contributions;

(e) Urges Governments to fully fund the Agency's budget for the biennium 2006-2007 and to consider making special contributions in support of the strategic planning initiatives the Agency has launched with its medium-term plan, so that the Agency can bring UNRWA services up to levels prevailing in the host authorities, and to ensure that donor support of emergency-related and special programmes or capital projects does not in any way decrease or divert contributions to the Agency's regular programme.